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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

DIA and DOS review(s) completed.

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SOVIET UNION

1. Soviet official replies to US protest on Linse kidnapping:
In a 20 August note to the Deputy US High Commissioner in Germany, the Deputy Chief of the Soviet Control Commission rejected US claims that the East German Alert Police cooperated in the kidnapping of West German lawyer Walter Linse. The note did imply, however, that the kidnapping occurred in the US sector, contrary to the allegation of the East German Minister of State Security.

American officials in Berlin believe that the general evasiveness of the Soviet reply indicates some Soviet embarrassment over the Linse case. [REDACTED]

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2. Comment on Soviet behavior at the Olympics: The American Ambassador at Helsinki points out that the Soviet representatives at the Olympic Games showed clearly that they could accommodate themselves to Western standards of behavior. Soviet athletes were correct and sportsmanlike in competitions, and friendly and surprisingly gregarious in their dealings with other athletes, particularly the Americans.

Ambassador Cabot infers from this affable behavior that the savage rudeness displayed by Soviet representatives in the field of political debate and negotiations is "self-induced and calculated."

He suggests that the correct behavior of the Soviet team was deliberately intended to involve other athletes in the Communist peace movement and to lull world opinion into condoning Russian behavior in international affairs.

[REDACTED]

Comment: While the Soviet team's behavior at the Olympics made a favorable impression upon many participants,

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Soviet propaganda was unsportsmanlike in referring continually to the "bias" of the judges.

It is apparent that the Soviet Union viewed the Olympics as an opportunity to implement Peace Council objectives. Sportsmen, along with lawyers, scientists, religious leaders, businessmen, etc., had been designated by the Berlin Peace Council meeting of February 1951 as targets for an intensified peace campaign. The effort to link the Olympics with the peace movement was, however, notably unsuccessful.

EASTERN EUROPE

3. Czech-Hungarian economic collaboration reported: A report recently received from Czechoslovakia states that the Czech HUKO industrial combination, under construction near Kosice in eastern Slovakia, will collaborate with the Hungarian Iron and Steel Complex at Diosgyor and Ozd in northeastern Hungary, which produces about 80 percent of Hungary's steel and all its pig iron. HUKO will also receive power from the projected Tiszaok hydroelectric station in Hungary.

The Legation believes that, if the report is confirmed, it is an important evidence of inter-satellite economic planning, presumably inspired by the USSR, like the recently concluded Hungarian-Rumanian agreement linking the power facilities of the two countries and forming a joint company to exploit Rumanian natural gas and sodium nitrate resources.

Comment: The combination of the power resources and heavy industries of Hungary and Czechoslovakia falls under the terms of the agreement signed in Budapest on 27 April 1951. The principle of economic cooperation recently was re-endorsed by Hungarian Premier Rakosi.

An important new East European industrial center appears to be in building in eastern Slovakia and Hungary. The HUKO combine is touted by the Czech press as the largest metallurgical plant in central Europe and assertedly plans to produce one million tons of pig iron annually. The new Hungarian blast furnace inaugurated at Diosgyor in May will probably add about 150,000 tons to Hungary's estimated annual production of 450,000 tons of pig iron.

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4. Polish Primate protests recent Communist actions against the Church: Officials of the Office of Religious Affairs led Polish security police in nation-wide raids on Catholic "lower Seminaries" on 3 July, according to the American Ambassador in Warsaw. The Primate of Poland has protested the action in a letter to President Bierut, and mentioned the matter in a sermon on 10 August. The story has not appeared in the Polish press. [REDACTED]

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Comment: Polish Communist leaders have refrained from a frontal attack upon the Church because of its power, and have used nationalism as a lever to secure Catholic support for Communist policies. The actions on 3 July violate the Church-State Agreement of 14 April 1950, and the assurance of religious freedom provided by the new constitution.

The Primate's action makes it clear that he is determined to resist the regime's campaign against the Church.

5. Polish Ambassador allegedly makes threatening statement:

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[REDACTED]
Polish Ambassador Grosz recently expressed pessimism about peace prospects. He declared the United States was preparing to launch what it would misrepresent as a preventive war, and that the Soviet bloc might be forced to move to prevent it.

Ambassador Briggs states that this is the first time he has heard this view attributed to any Communist diplomat in Prague. [REDACTED]

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Comment: The American Embassy in Prague has reported previously that Grosz as a militant Communist is always careful in conversation to adhere to the party line, but that he has shown less timidity or apprehension than others about expressing himself.

There have been no other reports of recent threatening statements by Communist officials, nor does the reported version mention what type of action the Soviet bloc would take.

6. Pro-Soviet sympathies in Yugoslav army held insignificant by Yugoslav staff officer: During a private conversation with an American officer, a Yugoslav General Staff officer stated that pro-Soviet sympathy and activity in the army is insignificant and anti-Soviet sentiment is strong. Italy is also allegedly violently disliked by Yugoslav officers.

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In addition, the Yugoslav officer stated that American military aid and cooperation are big morale boosters.

Comment: Yugoslav army officers in general became anti-Soviet because of their experience with the Soviet Military Mission prior to 1948. Many officers, however, have found it difficult to adjust to closer relations with the West after having been subject to years of bitter anti-Western propaganda. Yugoslav officials assiduously attempt to impress upon Western officials their determination and unity in the face of the Cominform threat, and it is generally believed that the officer corps is extremely patriotic and appreciative of Western assistance.

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FAR EAST

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7. Japanese Foreign Minister anticipates election in December: Japanese Foreign Minister Okazaki informed Ambassador Murphy on 20 August that the Diet most likely will be dissolved in November and general elections for the Lower House will take place in December. Okazaki added that the Liberal Party will present a united front and, in his opinion, will maintain a substantial majority in the Lower House.
- [REDACTED]

Comment: Most political observers in Japan believe that the Liberals, while remaining the strongest party, stand to lose in the Lower House. With US-Japan relations a primary issue, the election results will significantly indicate the electorate's attitude toward Prime Minister Yoshida's pro-American policies.

Recent indications are that the threatened Yoshida-Hatoyama split in the Liberal Party is now being composed.

8. Japanese Government to submit to Diet agreement on lease of US naval ships: The Japanese Government has reversed an earlier decision and now intends to submit for Diet approval the agreement for the lease of 68 small US warships. Ambassador Murphy comments that the Japanese Government's vacillation in this matter reflects its concern over the acute domestic political significance of its current moves in such controversial issues as rearmament.
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- [REDACTED]

Comment: The government originally decided to handle the agreement as an administrative measure, thus avoiding the possibility of embittered discussion in the Diet from foes of rearmament. The change in plans may be a belated recognition that failure to solicit Diet approval would again subject the government to charges of "dictatorship," with harmful repercussions to the Liberal Party in the coming elections.

9. Reports of warship construction in Japan believed planted: Erroneous Japanese press reports that US naval authorities have requested estimates from Japanese concerns for the construction of torpedoes and warships may have been planted, according to Ambassador Murphy. The reports have been published concurrently with other articles discussing inquiries from Burma, Pakistan and Brazil regarding warship construction in Japan.

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25X1 Murphy believes that Mitsubishi and other shipbuilding companies which are seeking Diet legislation authorizing naval construction may be involved. He notes that a bill for such legislation is expected to be entered in the next Diet session. [REDACTED]

Comment: Munitions production in Japan is authorized under temporary legislation, which was carried over from the occupation and requires prior government approval. The establishment of permanent legislation for this purpose is still a sensitive political issue. 25X1

10. Japan reportedly to request departure of Soviet correspondents: A high Foreign Office official told a US Embassy officer in late July that the applications of two Pravda correspondents, one Tass correspondent and a representative of Sovexportfilm, to remain in Japan after 28 October would be rejected. These are the only "unofficial" Soviet citizens now known to be in Japan.

25X1 The same official also stated that nothing would be done about the remaining members of the Soviet Mission until 30 October, when the issue will be considered by the Attorney General. [REDACTED]

Comment: Japanese legislation required the registration by 28 July of all foreign nationals who entered Japan under SCAP's authority and who intend to remain in Japan after 28 October. On 23 July, the Soviet Mission presented without comment a list of 60 staff members and 19 dependents.

11. US Embassy believes South Korean youth corps will continue its political activities: The US Embassy reports that An Ho-san, a close ally of Yi Pom-sok, has apparently resigned from the chairmanship of the Taehan Youth Corps. President Rhee's opposition to Yi probably created a split among the organization's leaders resulting in An's withdrawal.

25X1 The acting chairman of the Youth Corps told US Embassy officials that he will not use the organization for political purposes. Ambassador Muccio comments that it appears unlikely that the acting chairman's policy will appeal to other corps leaders or the honorary head, President Rhee. [REDACTED]

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Comment: The Taehan Youth Corps was originally formed for defense and reconstruction activities but, since its inception, has advanced and supported the administration's policies. President Rhee has tried vainly on several occasions to arm this potent political force.

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The resignation of An further reduces Yi Pom-sok's influence on the ROK political scene.

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16. Chinese Nationalist force penetrating Karen territory:

25X1 [redacted] a Chinese Nationalist force of 700 men has moved south from northeastern Burma into the base area of Karen operations.

The American Embassy comments that continued Nationalist involvement with the Karens might cause the Burmese Government to make the Nationalists their primary target instead of the insurgent Communists. [redacted] 25X1

Comment: Open Nationalist cooperation with the Karens could influence the Burmese to appeal the issue to the United Nations or to request military assistance from the Chinese Communists.

17. Large bandit concentration reportedly active in Thai-Malayan border area: A British official [redacted] 25X1

25X1 [redacted] told the American Consul in Penang on 20 August that a concentration of 500 bandits was reported moving toward the Padang Besar area in northeastern Perlis. Police patrols in the area reported no contacts, but a report later in the day advised that the Bangkok train had run through heavy firing three miles inside the Thai border. One hundred bandits allegedly are moving west from Padang Besar toward Sadao. Police believe that the size of the original force was much exaggerated. [redacted] 25X1

Comment: The British have estimated bandit strength in the border area at 200 men. There have been few incidents in the area since a Security Force operation in November 1951, although the Communists continue to dominate both the Sadao and Padang Besar regions.

[redacted] 25X1

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19. Indonesian Ambassador to Moscow to be announced soon:
The American Embassy in London reports that it is "understood" that Subandrio, Indonesia's Ambassador to Great Britain, is to be assigned to Moscow, and that the announcement of his transfer will coincide with the appointment of Mangunsarkoro, a National Party member, as Indonesian Ambassador to Peiping.

Comment: The appointment of ambassadors to Moscow and Peiping has been rumored since the cabinet took office in April, but there have been no recent reports directly from Djakarta on the subject.

NEAR EAST - AFRICA

20. Mossadeq refuses to use force against Tudeh demonstrators:
Minister of Court Ala has told Ambassador Henderson that he had tried to persuade Mossadeq to give the police more powers to suppress Tudeh demonstrators. Mossadeq refused and insisted that the Tudeh could not be controlled by force, but only by economic and social reforms. He suggested that it would be easier to maintain order if the national anthem were not played and if the Shah's picture were not publicly displayed because the Tudeh used them as excuses for demonstrations.

Comment: Mossadeq's attitude is consistent with his declared belief in the right of free speech. His attempt to avoid conflict, however, will probably be considered a victory by the Tudeh.

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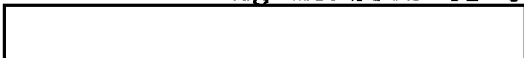
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24. President Khouri expects Lebanese Government to fall soon: President Khouri of Lebanon has told American Minister Minor that he expects Premier Solh's government to fall during the special session of parliament called for 28 August.

The President envisages a new government headed by Sahib Salaam, composed of capable men not in the present cabinet, but excluding members of the parliamentary opposition.

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Comment: Salaam is a successful Moslem businessman who is reported to have political ambitions.

The special session of parliament will be asked to grant the government extraordinary authority to enact reforms by decree. The government-sponsored program, which does not include either tax or land reforms, is an attempt to pacify increasing opposition to the Khouri regime. President Khouri has previously indicated that he is willing to sacrifice Premier Solh in his efforts to maintain his position.

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WESTERN EUROPE

25. East Germans seen attempting to control Protestant Church: The East German Government reportedly proposes to substitute a single Protestant Evangelical seminary for the present six theological faculties in various universities. American officials in Berlin see this as a move to confront the Protestant Church with obstacles similar to those now faced by the Catholics. The government would then be able to reduce the number of students, isolate them socially, and more effectively control their curricula and activities. [REDACTED]

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Comment: These moves contrast notably with the attitude of the East Germans earlier this year, when attempts were made to exploit the church in East and West Germany as a means of organizing West German opinion against the European Defense Community.

26. Saar political leaders urge referendum on territory's Europeanization: The leaders of the Saar Government are pessimistic regarding French-German efforts to find a solution to the Saar issue and fear that Germany may break off the current negotiations at the 29 August meeting. The leaders believe that a strong demonstration of the Saarlanders' wish for Europeanization might strengthen the hands of both Schuman and Adenauer, and therefore urge that a referendum be held before the present talks break down.

The American Consul in Strasbourg believes that the Saar Government desires immediate British and American support to press for a referendum. [REDACTED]

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Comment: Saar government leaders are discouraged by France's insistence on the maintenance of the French-Saar economic union and its refusal to cede any territory to a Europeanized Saar. They are also disturbed by Germany's growing tendency to postpone a settlement.

27. Pleven delays French-American air-base agreement: French Foreign Minister Schuman has informed the American Embassy that Defense Minister Pleven has still not given a definite reply to his inquiry regarding signature of the air-base agreement, but has implied that there are no unsettled issues. [REDACTED]

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Comment: Although the technical aspects of the agreement covering American air bases in France have been settled since early August, Pleven has avoided setting a date for signature.

The Embassy states that for some time Pleven has been "difficult" on anything relating to the United States. This attitude presumably stems from his failure to win additional American financing for French armament production. He may be planning to use the air-base agreement as a bargaining weapon.

28. Schuman wants early North Atlantic Council meeting: French Foreign Minister Schuman has informed the American Embassy that he favors a North Atlantic Council meeting in the latter half of November to avoid too long a gap since the February meeting at Lisbon, and to overcome the current public uneasiness over the status of the NATO defense program. [REDACTED]

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Comment: The British have been urging an early fall NAC meeting. They have countered US proposals for a post-election session devoted primarily to a study of the NATO Annual Review with the plea that the review cannot be completed before January.

29. French officials divided as to "competence" of UN in Tunisian question: French Foreign Minister Schuman has told an American Embassy official that widely diverging views are held both in the Foreign Affairs Committees and in the cabinet as to the United Nations' "competence" in the Tunisian question.

Schuman, who believes that the UN is competent to discuss the Tunisian question but not to take action, such as appointing a commission of inquiry, expects the cabinet to make a policy decision at its next meeting on 3 September. [REDACTED]

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Comment: The ending of France's opposition to UN discussion has been expected.

30. Austrian participation on Eastern Danube Commission opposed: The British Deputy High Commissioner in Vienna states that his government shares the American view that Austrian participation in the Eastern Danube Commission in observer or any other status is "highly undesirable."

The French Deputy High Commissioner, who has not yet received instructions from Paris, is reported to believe that

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his government will support the American view from a "juridical standpoint," but that it may consider Austrian participation on an observer basis an acceptable means of strengthening the Yugoslav position on the Commission. [REDACTED]

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Comment: The Austrians have recently expressed an interest in representation on the Danube Commission, citing the resumption of Austrian traffic on the Soviet Zone sector of the Danube and Austrian "business interests" as reasons. The United States has strongly opposed Austrian participation on the grounds that such representation might be interpreted as a weakening of Western opposition to Soviet domination of the Commission as set up under the Belgrade Convention.

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LATIN AMERICA



32. Communist bacteriological warfare film exhibited in Guatemala: About 300 persons saw a film on bacteriological warfare shown in a government-owned school on 12 August by the Guatemalan "Peace" Committee in connection with the report of delegates recently returned from the Preparatory "Peace" Conference in Peiping. Advance publicity was provided by the government radio and a semi-official newspaper. [REDACTED]

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Comment: The film is presumably one of those purporting to provide "irrefutable" evidence of United States use of BW in Korea which have been distributed at recent international Communist-front conferences. Guatemalan delegates went to Vienna

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in April for the International Conference for the Defense of Children, and to Peiping in May and June for the Preparatory "Peace" Conference.

The circumstances surrounding the showing of the film in Guatemala give further evidence of the considerable aid which officials of the Guatemalan Government give to Communist propaganda efforts.

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